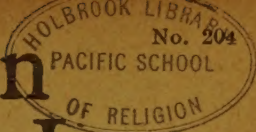


The Christian News-Letter

Edited by
J. H. OLDHAM



March 22nd, 1944

DEAR MEMBER,

The dispute between Russia and Poland has been the subject of statement and debate in both Houses of Parliament, and of numerous articles in monthly and weekly periodicals. Is it possible to single out from the wide-ranging discussion certain issues that are from the Christian standpoint of outstanding importance?

NATIONALITY

The editor of the *Nineteenth Century* tells us that what is at stake in the independence of Poland is whether Europe is to continue to exist. Europe means the co-existence side by side of a number of independent nations, each with its distinctive character, history and tradition, contributing to the richness of a common cultural heritage. The historical trials through which the Poles have passed and their position on the frontier between two different civilizations has given to the sentiment of nationality in their case a peculiar passion and intensity. Other nations in Europe, anxiously concerned about their own future, are watching to see what is going to happen to Poland, which they regard as a test case.

Nationality is an expression of the diversity and individuality of the world God has created. It is a slow growth of history to which the strivings and sufferings of countless generations have contributed. It is one of the chief formative influences in the life of the individual. For all these reasons nationality claims our reverence. "At a time when so many forces are converging to eliminate national rights," writes the editor of the *New English Weekly*, "it is essential to reaffirm what is real and indispensable in the national idea. More ultimately real than any ideologies are the communities of people united by their language, and responsible to themselves and their posterity for the portion of the earth's surface that they have inherited."

The claims of nationality are not fully met by the enjoyment of cultural autonomy, reluctant as Governments often are to grant even that. Men have a claim not only to be free to express their individuality, but as responsible persons to shape, or have a share in shaping, their political destiny. As the world now is, cultural autonomy is likely to be insecure, or at least felt to be insecure, without self-government.

The *principle* of Polish independence is not in dispute. Mr. Churchill stated in the House of Commons that Marshal Stalin had assured him that he, too, was resolved upon the creation and maintenance of a strong, integral, independent Poland as one of the leading Powers in Europe. The Prime Minister added that he was convinced that this declaration represented the settled policy of the Soviet Union.

The controversy turns on what is necessary to achieve the agreed object. Here we enter a maze of disputed questions. Nationalities in eastern Europe have become inextricably intermingled. Where frontiers have advanced and receded continuously for six hundred years, a boundary set up after the last war, and subsequently altered as the result of further fighting, cannot be regarded as sacrosanct. In the parts of pre-war Poland now claimed by Russia the Poles constitute a minority of the population ; they are outnumbered by Ukrainians and Ruthenians who are racially related to their kinsmen across the border. To set against this, the majority of the Ukrainians and Ruthenians in pre-war Poland are Roman Catholics, and it is maintained that religion and the culture associated with it are a far stronger bond than racial affinities. There is yet a further complication ; many of the Roman Catholics belong to the Uniat Church, which while accepting the Papacy keeps the Orthodox rites and liturgy, and are in their customs and cultural attitudes nearer to their Orthodox neighbours than to their Roman co-religionists. Again, cutting across these intertwined and conflicting differences of race, religion and culture are the social divisions of class and of sympathy with, or antipathy towards, the communist system. No one can say in what proportions, after all that has happened in the past four years, these varied allegiances and sympathies are present in the minds of different sections of the population.

Nor can material factors be left out of account. Loss of territory may so weaken a State economically and militarily as to leave it independent only in name. It is alleged, for example, that the Russian claims would deprive Poland of half its timber and chemical industry, and over 80 per cent of its oil, phosphates and potassium and of most of its grain.

JUSTICE

It is plain that the principle of nationality by itself does not provide a solution of the problems of Europe. It is indeed a question whether nationality is the true basis of a sound political order. In the eyes of the late Lord Acton attempts to base the State on the principle of nationality alone were "absurd and criminal." Political government, he maintained, ought to rest on something universally human, such as justice and consent. It is precisely the function of Law to enable many widely different human beings to pursue "the good life" under common and accepted rules. It is not the principle of nationality that will give peace to Europe, but the principles of toleration and justice.

Mr. Hore-Belisha reminded the House of Commons that Great Britain declared war not to defend any particular Polish frontier, but to vindicate the principle that the questions in dispute should be decided by negotiation and not by force. In the period preceding hostilities the recurring note in all British declarations was that a settlement should be reached by discussion and consent.

THE PLEDGE TO POLAND

Great Britain is concerned in the dispute by the fact that we are pledged to the defence of Polish independence. By the Agreement of Mutual Assistance between the United Kingdom and Poland entered into in August 1939, we are committed to giving Poland all the support

and assistance in our power, not only in the case of attack, but also "in the event of any action by a European Power which clearly threatens, directly or indirectly," its independence. The agreement has not been denounced and we are consequently still bound by it.

It was maintained in an impressive speech in the House of Commons by Mr. Pickthorn that, if Great Britain is not to sink to the level of a third-rate Power, the first and essential thing is to ensure that every State in Europe trusts her. He quoted from a New Zealand newspaper a sentence to the effect that the war had begun through a British pledge to Poland, and that "habitually such pledges have been kept"; and he invited the House to weigh carefully the significance of the word "habitually." Shall we in this instance, he asked, "be clearly seen to have done for each State on our side everything possible, everything which was not strictly and materially impossible? . . . If by such fidelity we retain the reliance of Europe, everything may be won back. If we lose that reliance, everything may be lost, even after victory."

THE UNDERSTANDING OF RUSSIA

We have an obligation also to our Russian ally, to whom we are pledged by treaty, "to work together in close and friendly collaboration after the re-establishment of peace for the organization of security and economic prosperity in Europe."

Much of what is written in this country about the Russo-Polish dispute leaves the impression that the roots of the differences reach down to a level of feeling too deep to be influenced by rational argument. On the one side, sympathy with Russia leads sometimes to a quite uncritical acceptance of the Russian case. Other views have their ultimate source in fear of Russia and a profound distrust of her intentions. In that attitude there lies no hope. The future peace of the world, which is the greatest of earthly blessings, depends on mutual understanding and co-operation between the United States, Great Britain and Russia. It is our plain duty, while remaining alert, critical and firm, to go to the furthest limits in trying to understand the Russian point of view and in putting the most favourable interpretation on Russian policy that critical intelligence permits.

It must be remembered that the Russian people are at an earlier stage of their political development than Western Europe. The principles of the British Commonwealth have grown out of the experience of many generations, and if the Russians are more readily disposed to have recourse to the rough methods which we used towards Ireland and Scotland in the eighteenth century, it need occasion no surprise.

Again, the fullest weight needs to be given to the difference between civilizations. The Russian way of reaching out to the ultimate values and giving them expression in political life may be quite different from our own. Some of the most spiritual minds in Russia have seen in Europe nothing but its crass materialism. This deep-reaching difference in types of spirituality makes understanding difficult. But there it is; and it contains possibilities not only of disagreement, but of mutual enrichment.

The Russo-Polish dispute has behind it on both sides memories of centuries of unceasing conflict, which have engendered a deep and

almost ineradicable distrust. Ravaged as no country ever has been, Russia's single pre-occupation at the present time is security. A hostile Poland, ready to combine with potential enemies in the future, is seen as a danger. Russia may be mistaken about the means by which she hopes to obtain security; it is essential that we should understand how she feels. Russia, as the Prime Minister said, "has the right of re-assurance against future attacks from the West; and we are going all the way with her to see that she gets it."

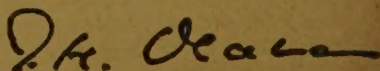
BRITISH POLICY

It is these ends that we must wish British policy to keep steadily in view, and energetically to pursue—the preservation of the real values of the European tradition, the achievement of justice, the settlement of disputed questions by mutual consent, the independent future of Poland, the fullest understanding with Russia, the re-creation of trust.

To realize these purposes (some of which seem to point in contrary directions) in a situation so complex as that of Poland is a task of extraordinary difficulty, and those on whom it devolves may claim our utmost sympathy. The British Government cannot impose its own view of the best solution. That is no reason why it should not be made clear to everyone what its aims are and that it is exerting all the influence it can to bring them about. To multitudes in Europe nothing would bring greater encouragement than a clear affirmation of what is best in the British political tradition. Nor need it be feared that a plain statement of where we stand will lead to estrangement with Russia. Good relations between nations rest on a foundation of mutual respect. The obstinate pursuit of selfish ambitions may lead to dissension, but not an honest endeavour to achieve justice and peace.

It is in this context that the proposal that Poland should be compensated by the transfer of territory from Germany arouses disquiet, not because of any question that Poland is entitled to all the compensation that Germany can give her, but because it is very doubtful whether an arrangement of the kind proposed will conduce to the future peace of Europe. But the proposal does at least direct attention to the fundamental fact that there is no solution of the Polish question so long as it is isolated from the rest of Europe, and so long as present assumptions remain unchanged. A real solution can be found only in the wider context of far-sighted plans for the future organization of Europe as a whole.

Yours sincerely,



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RESPONSIBILITY IN THE ECONOMIC SYSTEM— GOVERNMENT REGULATION

This is the second instalment of a study of Responsibility in the Economic System which is being undertaken by a small group, under the auspices of the Christian Frontier, the members of which are all in one way or another connected with industry. The first contribution was published last September as the Supplement to C.N.-L. No. 190.

In a previous Supplement the conclusion was reached that one of the first tasks before the Christian community was the restoration of economic power to full responsibility. This responsibility is, first and foremost, in order of logic, to the consumers. Each section of industry exists to meet some need on the part of those who use the goods or services it produces. If that need is not there, then that part of industry has no right to exist—the purpose of producing a house is to give the consumer a home to live in and not to provide the bricklayer with a job. Yet once industrial production is taking place that very act calls into being a whole series of further responsibilities—to workers in the industry, to local residents, to the nation as a whole. In broad outline, the main responsibility of industry to consumers is as to *what* is produced, whereas in the responsibility to other groups, questions of *how* and *where* things are produced become more important. This paper is concerned with government supervision of industrial activity with a view to seeing just what its scope and function can be in achieving economic responsibility.

In examining this subject we must distinguish, firstly, between *the economic system* on the one hand and *the machinery of civil government* on the other. By the economic system is meant that part of social organization which is concerned with the production and distribution of the goods and services by which we live; by the machinery of civil government, the organization by which the life of the nation and of local communities is controlled, organized and supervised by the governing authority. This is a more fundamental distinction than that which exists between State organs (in the sense of things which bear the label “G.R.”) and private trade and voluntary organizations. For example, the Post Office or the R.O.F’s (though they bear the label “G.R.”) are part of the economic system. The second distinction is between the *operation* and the *regulation* of industrial activity. This distinction is a fairly clear one. It is mainly a distinction between internal and external control. A normal private firm is operated by its directors on behalf of the shareholders, and is regulated on various matters by the State and local authorities. Sometimes, however, the State operates an industrial unit (e.g. the Post Office) or a trade association may exert functions of regulation (with or without legal backing). Government regulation is not, as is sometimes suggested, “half-way to nationaliza-

tion," but is something entirely different. This paper is concerned with the State as an organ of civil government exercising a regulating function, and not at all with the case for an extension or a reduction of the scope of the national operation of industry.

Government control and regulation, as applied to industry (or indeed to anything else) has certain unavoidable characteristics : (a) it involves working by *rule and precedent*, (b) it involves control *from outside*, and (c) it involves some measure of *centralization* and concentration of power.

THE CASE FOR RULE AND PRECEDENT

We hear quite a lot, especially in war time, about "red tape" and Civil Service methods. It is worth trying to disentangle just what this involves and where it has its origin. Of course, in some measure it is due to scale of operation, but there is more in it than mere size. In the attempt to preserve government without tyranny, the conception of the Rule of Law has developed ; the servants of the government may not exercise arbitrary and discretionary power, but have to work within the framework of an objective and clearly defined body of law binding everyone equally, themselves included. The official is there to see that the law is observed, but he has no discretionary power in relation to it.

An example of government in its "classical" form is the control of factory conditions in this country. The government did not, in 1833, appoint a body of "Dictators" who could give orders about factory conditions ; instead, Parliament laid down by statute, in fairly detailed terms, certain minimum and limiting conditions and then appointed an "inspectorate" to see that they were carried out. In the words of W. A. Robson : "From a legal point of view, inspection is little more than a right of entry to premises and the power to view and to investigate ; a mere prelude to judicial determination." An inspector can only take legal action to remedy factory conditions if he can *prove* that at a definite time and place there was a specific contravention of the law ; and that law is objective and determinate, independently of the opinions, wishes and actions of inspectors. In fact, of course, the practical effect of the actions of the inspectorate is a great deal more than these rather limited powers would suggest ; the right of inspection is a powerful weapon ; coupled with persuasion and technical knowledge it can often achieve more than legal compulsion. Yet this theoretical basis of working remains.

The regulatory powers of the government to-day are, of course, much wider in range and method than the simple application of Statute Law. Yet this development has not affected the nature of government regulation as much as appears at first sight. The government makes its will effective to a great extent by departmental Orders ; Parliament legislates, not in detail, but rather in broad outline, leaving it to the Executive to fill in the details. This change, although it affects the activities of the Civil Service (because these departmental regulations are normally drafted by the Civil Service with less parliamentary discussion than in ordinary legislation), does not affect the relation of the

Civil Servant to the citizen and to industry. The Statutory Regulations are made according to a very clearly-defined procedure and are, theoretically, under the survey of Parliament. The Regulations, once they are passed, have the force of law; the permanent Civil Service have no more day-to-day discretion in relation to them than to Statute Law itself.

Control by licensing and permit (of great importance to-day) differs from what we have been considering in that it quite deliberately gives discretionary powers, though of a clearly defined nature, to officials. The Traffic Commissioners, for example, are empowered to decide whether Mr. A. may or may not operate a bus service between X. and Y, and in so doing they do not have to give in detail a reason for their actions—they are executing a policy, not enforcing a law. Yet any such department, dealing with a series of outside firms and individuals, has to develop a set of general principles governing their decisions, which, though *constitutionally* very different from strict law, have *administratively* much the same effect. A licensing officer, in giving or refusing a licence, has to be able to defend his action to his superior officer in terms of accepted departmental practice. An official who made his decisions merely because "it seemed good to him" would have little favour in the present machinery of government. There is some departure from this method, of course, in the case of the social services, e.g. in agricultural research or in education—where the government authority is in part operating an economic service. But whenever the authority is engaged in controlling or regulating the actions of people or organizations outside the government service, the normal method is that of dealing with "cases" according to established rules.

What is the reason for this rather rigid method of government action? In the first place, the great bulwark of individual freedom has been the Rule of Law. If the officials of the government are given unfettered discretionary rights over the actions of individual citizens, then the danger of tyranny immediately appears, and if government officials have any exemption from subjection to the law, that danger is greatly accentuated—that fact needs little emphasis to-day. In the second place, the integrity of government depends in a great measure on its actions being defensible by objective standards. Whenever the relative advantage of individuals is influenced by government action there is a strong incentive for individuals to endeavour to pervert the course of government for their own ends. This danger can only be resisted if government action is not merely *in fact* uncorrupt and above-board, but if it *patently and obviously* is so. If government action can, at all points, be defended in terms of objective law or administrative principle, then corruption may be kept in check; but if the official does what "*he* believes to be the right thing," even if he reaches a "better" decision in the short run, he leaves the door wide open for the suspicion that his idea of "right" might be subtly influenced by cash, family relations, or personal bias (according to his character). Seen from this point of view, the method of rule and precedent is not a perverse product of the legalistic mind, but an element in sound government.

Hence government control has developed certain criteria and standards of value different from those we meet in other sections of social life. The supreme good for the public administrator in this connection is *objective equity*; the great evil is favouritism (cf. the Book of Common Prayer, the prayer that those who are put in authority under the Crown "may truly and *indifferently* administer justice").

This conception of equity has a fairly clear meaning when considering the relation of individual persons, and is of profound moral importance—justice and injustice is the difference between right and wrong. When the action of the government bears not on individuals, but on financial groups and trading undertakings, the conception becomes much more confused; equity between a small and a large business undertaking is difficult to define, and between an employee and employing firm it becomes more difficult still. It still has a place—for it means the fair and impartial application of general rules to particular cases—but it has not the over-riding importance that it has in dealing with persons. Furthermore, and this is vitally important to an understanding of the control of industrial activity, the pursuit of equity is not the same thing as the pursuit of efficiency. The attempt to deal fairly in financial terms between trading undertakings, viewed as though they were individual entities, may lead to a serious neglect of the interests of other sections of society.

Two examples will indicate this point. The first relates to the control of road transport by the Traffic Commissioners. When two bus companies are competing on the same route, the Commissioners, in the interests of "equity," must at all cost avoid any action which would put one competitor at a disadvantage in relation to the other. Practices like running one bus just ahead of another in order to take the competitor's custom are vigorously checked. As a result the Commissioners are often more concerned with holding the competitive balance than with ensuring that the service is suited to the public. Rules intended to prevent one competitor getting an unfair advantage will often prevent flexibility in meeting public demands. Rationing and control of supplies affords another example. In the rationing of consumers' goods (food, clothing, etc.) there should be strict equality of treatment between man and man; that is the whole purpose of such rationing and the criterion of its success. But the control of *producers' goods* (industrial equipment, fuel, etc.) involves other considerations. The purpose of such control is to lead to the *most economical* use of the country's resources by the industrial machinery. Trading units differ widely in efficiency, so that the efficient use of resources and the equal treatment of individual firms would involve different policies.

EXTERNAL CONTROL

The second distinctive feature of government regulation is that it is *external* to industrial undertakings. The government lays down the limits within which an undertaking can act—the framework within which the picture can be painted. But it leaves the initiative within that framework to the undertaking. The government, in effect, says

"You *must* do certain things" (e.g. provision of lavatories); "You *may not* do other things" (e.g. falsify the accounts), but within those rather wide limits the operation and, what is more important, the aims of the undertaking are left free. As long as the government is *regulating* and not *operating* the industry the firm (however constituted) still appoints its own managers; it decides, therefore, the things the manager should be induced to aim at. The key position (as the miners' unions have already suggested in relation to the coal trade) is, "Who appoints, promotes and removes the managers?" The way in which external regulation works depends in a very large measure on the extent to which the internal "motives" within the firm (that is the things which the management try to do, as a result of self-interest, professional sense, desire for power, or pressure from the directorate) are driving in the same direction as, or in a different direction from, the pressure of the regulating authority.

If the aims of the undertaking are in line with the aims of the government (as in the case of accident prevention) then government regulation becomes very much a matter of information and guidance, in which the main influence of the regulating authority arises from the fact that it has access to information about the whole field and can direct and co-ordinate the action of a number of units who are desirous of achieving a common end. The governing authority becomes, in this case, a point duty policeman directing a number of willing motorists!

If, however, the government authority is trying to do one thing, while the individual undertakings are striving in another direction, a very different state of affairs arises. Industry will be continuously trying to outwit the State and to find loopholes in its regulations. The State will continue trying to exercise control through myriads of officials supervising the performance of those regulations and damming up the loopholes as fast as they are found. Regulations, where they are made, will be obeyed in the letter and not the spirit. Under these conditions too, the control is always bound to assume that the firm is out to defeat the State's intentions, while the industrialist, for his part, will see in every activity of the control an attempt to infringe his liberties.

It would, of course, be utopian to imagine that the interests of individual units will ever be completely and in all cases in line with the interests of the State or other body controlling in the general interest; the "police functions" of checking compliance, maintaining minimum standards, and of preventing sub-standard conditions, will always have to be done. None the less, and this is the main point, there is a vast difference according to whether the policing of unwilling units or the guiding of willing units is the main function of the State.

In talking of "motive" and "willing" and "unwilling" units it is important to recognize that we are not concerned with individual opinions, sentiments and psychology. The public-spiritedness or otherwise of employers is not in point. What we are concerned with is the way in which a trading concern tends to act as the result of the inherent logic of its own internal constitution—of the pulls of financial and professional interest, and of the need to keep solvent. Hence there is an important difference between the problems of government in relation

to a group of individuals, and to a series of corporate bodies. "Human nature," though it may change slowly, has in the main to be taken as an unavoidable fact when dealing with individuals; but the "motives" of corporate bodies depend in a large measure on their internal organization and the way in which they are constituted. There is, therefore, no need to view the ways of individual trading units as something fixed and unalterable.

This question of divergences of aim between the regulating body and the concerns which are being regulated is closely related to "red tape." Some rigidity of method is needed to ensure fair and uniform treatment of individual cases, but an even more potent cause is that most government regulations have to include a great many clauses which are needed merely to prevent evasion. The greater the incentive to evade the law, the more stringent these provisions have to be. The tremendous expenditure of man power and of governmental organization which has always been needed in the levying of Customs and Excise gives some indication of the importance of this factor.

CENTRALIZATION

The concentration of power involved in government control cannot be ignored, but it is commonly much exaggerated. An increase in government regulation admittedly results in a greater range of functions being supervised by the same authority (whether central or local). But in fact, these powers have to be exercised by departments; and the more departments there are, the less control the political authority (parliament or local council) can exert over each one. A department of government quickly develops a professional sense and an "ethos" of its own, and a proposal by one department will be challenged by another, who will point out implications not obvious at first sight. This "departmental independency" may issue in fruitless bickering and ill-co-ordinated policy; but the fact that the different departments have each an emphasis and almost a conscience of their own may be a real defence of the rights of individuals.

The objection to a large increase of government powers is, therefore, not so much that it may lead to the tyranny of a highly-centralized machine, but, in some ways, almost the reverse. There is a real danger of so over-burdening the machinery of government (in particular, parliamentary time) as to result in weakness of democratic supervision, with consequent irresponsibility and lack of co-ordination between the departments. We have only to compare the parliamentary time-table and the work of the Civil Service in the middle of the last century with the position to-day to see how great this danger is.

WATCHING AND MAKING RULES

Whatever other functions the State may fulfil in relation to industry, there are two things it *must* do. The first is to exercise a *watching brief* on behalf of society over the whole life of society, including industry, so that "patches of injustice" may be located and remedied. To do this, government must be effectively representative and as free as possible from the undue influence of sectional interests. It is, of

course, quite utopian to imagine that any government will be really impartial and will not be perverted in some measure by the struggle of economic interests ; but it is important that government be as impartial as possible. Increased government regulation of industry raises a distinct danger at this point. If industry consists of a series of separate *profit-making* units under a fairly strict government regulation, the executive action of a government may cause very wide changes in the relative profitability of the units. These in turn may greatly influence the personal wealth and position of various already influential people. There is thus a very strong incentive for individual people and for economic groups (e.g. the employers in a given trade or the more specialized trade unions) to endeavour to influence the course and actions of the government. This incentive will be far stronger in a controlled system (provided there is still private profit) than in one approximating more closely to *laissez faire*.

The second unavoidable responsibility of the government is to deal with subnormal conditions and to enforce certain minimum standards. It is impossible to generalize as to what things should be so regulated, for these will change according to the practical situation ; but whether industry is operated by private firms, by public corporation or by the State itself, general regulations are still needed and will have to be applied by the organs of the central or local government.

NEW FUNCTIONS OF GOVERNMENT

The effective exercise of a watching brief in industry and the enforcing of rules may require some development of government organs, but it involves no very radical change. It goes, however, only a very short way towards achieving "responsibility" and especially responsibility to consumers. This was obtained in some measure, in the past, by the price and profit mechanism. Our earlier Supplement gave reasons for believing that we can no longer rely entirely on these "automatic" forces, but that some other means of maintaining responsibility is needed. The economic system must be sensitive and responsive to human need and, almost certainly, there must be more conscious determination of industrial production on a national scale. Can this be done by government regulation ?

In our examination of government methods, one very important thing which emerged was the distinction between two quite different crafts or techniques. The first of these is *the art of applying general rules to particular cases*. This is seen in its clearest form in the administration of law, but occurs throughout the machinery of government whenever government action impinges on private individual or non-government organizations. The second technique is that of *the economical marshalling of resources and of organizing activity to attain desired ends*. This latter technique is exercised in different ways by the housekeeper, the army commander and the factory manager. Economic "planning" entails the use of the same technique on a national scale—it involves a strategic view of each trade and of industry as a whole, and the effective marshalling and use of the resources of industry for the meeting of human needs.

The exercise of such a technique would obviously involve changes in Civil Service methods. That in itself presents no great difficulty. The government departments have shown themselves capable of managing the economic undertakings which they actually operate. In any case there should be no difficulty in attracting into the public services people of adequate managerial ability. The real difficulty lies at another point, namely in the *external* character of government regulation. As any factory manager knows, it is impossible to give the same objective explanation of managerial action as is possible in the case of the administration of law ; further, management becomes impossible if each action can be challenged and contested by all the parties involved. Exactly the same considerations would apply on the level of national planning. The planning authority will have to take executive action which will influence sharply the affairs of individual industrial units. It will not be able to give clear objective defence of its actions, as in the application of law. Yet if the individual units can challenge and delay such action, the system becomes wholly unworkable.

It may be urged that some measure of national planning and the marshalling of resources has been possible in war time. There are, however, two factors which make the position very much easier. Firstly, the demand of "national necessity" results in firms accepting action by the authorities which they would not accept without controversy in peace time. Secondly, and even more important, a great deal of our "war-time planning" results, not from the controls, but from the fact that in many industries the government (through the Service Departments) is the *chief buyer* and in other cases (e.g. foodstuffs) completely controls distribution. With the reduction of Service demands and the cessation of rationing this factor will be removed.

CONCLUSIONS

If this analysis is true, one conclusion is inescapable. The efficient and flexible direction of industry in the interests of consumers and of society as a whole, whether undertaken by the government or by any other body external to the units, is only possible if the units *themselves* are responsible, and if their immediate aims are substantially in line with the interests of society as a whole.

The analysis contained in the first Supplement suggests that this condition is not fulfilled at present. If it is not, economic responsibility, especially responsibility to consumers, cannot be restored by an alteration or even by a substantial increase in government control while leaving the structure of individual trading units unchanged. Prior action is needed on the organization of these trading units themselves.

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